

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Holly	County Oakland
Fiscal Year End June 30, 2007	Opinion Date February 13, 2008	Date Audit Report Submitted to State February 15, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 248-952-5000		
Street Address 5750 New King Street		City Troy	State MI	Zip 48098
Authorizing CPA Signature Thomas Darling, CPA <small>Digitally signed by Thomas Darling, CPA DN: cn=Thomas Darling, CPA, c=US, o=Rehmann Robson, email=tdarling@rehmann.com Date: 2008.02.15 08:00:52 -05'00'</small>		Printed Name Thomas E. Darling		License Number A246550

**TOWNSHIP OF HOLLY**  
**Holly, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended**  
**June 30, 2007**

**TOWNSHIP OF HOLLY**  
**Holly, Michigan**

**FINANCIAL STATEMENTS**

**For the Year Ended**  
**June 30, 2007**

# TOWNSHIP OF HOLLY

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

February 13, 2008

To the Township Board  
Township of Holly  
Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Township of Holly, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Township of Holly, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Township of Holly, Michigan***, as of June 30, 2007, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general and major special revenue funds, for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and

presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Township of Holly, Michigan*** basic financial statements. The combining fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style with a large initial 'L'.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

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### **CONCEPTUAL INFORMATION ABOUT THE TOWNSHIP'S FINANCIAL STATEMENTS**

The primary government is presented in two categories, governmental activities and fiduciary type activities. Governmental activities consolidate all general and other governmental funds which reflect the Township of Holly as a whole and include all general operating, special revenue (park, library and special assessment for fire/emergency) and capital project funds. The Township adopts an annual appropriated budget for its general and special revenue funds. Fiduciary Activities are limited to the Trust and Agency Fund which is used to account for assets held by the Township of Holly in a trustee capacity or as agent for individuals, organizations, other governments or funds.

**Government – wide financial statements.** *The government – wide financial statements* are designed to provide the reader with an overview of the Township's finances, in a manner which is similar to private – sector businesses.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with a difference between the two being reported as *net assets*.

The *statement of activities* provides information on how the net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change takes place regardless of the timing of the related cash flows.

The Township of Holly has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

### **FINANCIAL HIGHLIGHTS**

The Township of Holly's assets exceed its liabilities at the close of the most recent fiscal year by \$3,027,533 (net assets).

The Township's total net assets increased by \$206,878 during the 2006-2007 fiscal year.

At the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$2,171,953, an increase of \$203,402 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2007, General Fund revenues exceed expenditures before transfers out by \$223,844.



## Management's Discussion and Analysis

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The following tables represent an analysis of the Township of Holly's Net Assets

### Township of Holly's Net Assets

#### Governmental Activities

	<u>2005-06</u>	<u>2006-07</u>
Current and other assets	\$2,058,666	\$2,201,275
Capital assets	<u>852,104</u>	<u>855,580</u>
Total assets	<u>2,910,770</u>	<u>3,056,855</u>
Accounts payable and other	<u>90,115</u>	<u>29,322</u>
Total liabilities	<u>90,115</u>	<u>29,322</u>
Net assets:		
Invested in capital assets, net of related debt	852,104	855,580
Restricted	88,142	-
Unrestricted	<u>1,880,409</u>	<u>2,171,953</u>
<b>Total net assets</b>	<b><u>\$2,820,655</u></b>	<b><u>\$3,027,533</u></b>

### Township of Holly's Change in Net Assets

#### Governmental Activities

	<u>2005-06</u>	<u>2006-07</u>
<b>Revenue:</b>		
Primary government:		
Property taxes	\$1,064,640	\$1,236,968
State shared revenue	264,898	273,037
Grants and contributions not restricted to specific programs	-	37,340
Investment earnings	38,011	85,731
Program revenue:		
Charges for services	375,212	222,220
Operating grants and contributions	84,797	38,759
Capital grants and contributions	<u>5,017</u>	<u>9,888</u>
<b>Total Revenue</b>	<b><u>\$1,832,575</u></b>	<b><u>\$1,903,943</u></b>

## Management's Discussion and Analysis

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	<u>2005-06</u>	<u>2006-07</u>
<b>Expenses:</b>		
General government	\$ 453,527	\$ 498,317
Public safety	379,968	415,725
Public works	66,305	67,124
Community development	186,206	158,339
Recreation and culture	<u>553,531</u>	<u>557,560</u>
<b>Total expenses:</b>	<b>1,639,537</b>	<b>1,697,065</b>
Change (increase) in net assets	<u>193,038</u>	<u>206,878</u>
Net assets, beginning of the year	<u>2,627,617</u>	<u>2,820,655</u>
<b>Total net assets, end of the year</b>	<b><u>\$2,820,655</u></b>	<b><u>\$3,027,533</u></b>

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original and the final budgets were relatively minor. Once additional revenue and expense information was known, subsequent budget amendments for additional revenue and additional planned expenditures were added to the appropriate line items in the budget.

Actual revenues were greater than budget amounts by approximately \$20,000 primarily due to interest revenue over anticipated amounts. Expenditures were less than budgeted amounts by approximately \$215,000 due to cost management initiatives in general government and public safety.

### **CAPITAL ASSETS**

Holly Township remodeled the Township Hall Offices, purchased a new Network Server, and replaced 7 out of its 8 PC Workstations. Existing capital assets continue to be maintained. The Township of Holly continues to have a capitalization threshold of \$5,000 or more. This means investment in assets of less than \$5,000 is expensed in the year acquired.

### **TOWNSHIP OF HOLLY'S CAPITAL ASSETS** (net of depreciation)

	<u>2005-06</u>	<u>2006-07</u>
Land	\$ 397,336	\$ 397,336
Buildings	313,483	302,595
Machinery and equipment	52,309	43,435
Office Furniture and equipment	<u>46,011</u>	<u>65,192</u>
<b>Total</b>	<b><u>\$ 809,139</u></b>	<b><u>\$ 808,558</u></b>

## Management's Discussion and Analysis

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### **LONG-TERM DEBT**

The Township of Holly does not have any long-term debt in the year ended June 30, 2007 but anticipates future long term debt for a new Fire Hall.

### **THE TOWNSHIP OF HOLLY'S FINANCIAL FUTURE**

Residential growth in the Township has been strong over the past 5 – 6 years due to the building of a 167 unit development in the Northeast portion of the Township and completion of 240 of the 900 unit planned Silverman development. The Silverman development building activity has steadily declined over the last year to currently no activity. Building is not expected to resume in the near future.

The Township had received an increase in revenue sharing payments due to the efforts made by conducting a Mid-Decade Census. The State of Michigan has suspended making those payments to the municipalities that have conducted the mid-decade census. It is not expected that its policy will change in the near future.

Cost for health care, utilities, fire and emergency services, etc. continues to rise annually and if continued these increases could have an impact on future operations. The Township continues to work towards maintaining its master plan and open space and hopes for new business and industry in the northeast corner of the Township. It will be looking at other commercial and industrial opportunities for the future. Expanding the commercial and Industrial tax base is a primary objective.

It continues not to be necessary to levy the maximum allowable millage.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Township of Holly's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the Holly Township Clerk, 102 Civic Drive, Holly, Michigan 48442.

## **BASIC FINANCIAL STATEMENTS**

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

# TOWNSHIP OF HOLLY

## Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,007,561
Receivables, net	71,555
Due from other governments	92,242
Prepays and other assets	29,917
Capital assets not being depreciated	397,336
Capital assets being depreciated, net	<u>458,244</u>
<b>Total assets</b>	<u><b>3,056,855</b></u>
<b>Liabilities</b>	
Accounts payable and accrued expenses	<u>29,322</u>
<b>Net assets</b>	
Invested in capital assets	855,580
Unrestricted	<u>2,171,953</u>
<b>Total net assets</b>	<u><u><b>\$ 3,027,533</b></u></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary government</b>					
Governmental activities:					
General government	\$ 498,317	\$ 19,620	\$ 32,061	\$ -	\$ (446,636)
Public safety	415,725	-	-	-	(415,725)
Public works	67,124	-	-	-	(67,124)
Community development	158,339	88,939	6,698	-	(62,702)
Recreation and culture	557,560	113,661	-	9,888	(434,011)
<b>Total governmental activities</b>	<b>1,697,065</b>	<b>222,220</b>	<b>38,759</b>	<b>9,888</b>	<b>(1,426,198)</b>
<b>General revenues</b>					
Property taxes					1,236,968
State shared revenue					273,037
Grants and contributions not restricted to specific programs					37,340
Unrestricted investment earnings					85,731
<b>Total general revenues</b>					<b>1,633,076</b>
<b>Change in net assets</b>					<b>206,878</b>
Net assets, beginning of year, as restated					2,820,655
<b>Net assets, end of year</b>					<b>\$ 3,027,533</b>

The accompanying notes are an integral part of these financial statements.

## **FUND FINANCIAL STATEMENTS**



# TOWNSHIP OF HOLLY

## Balance Sheet

### Governmental Funds

June 30, 2007

	<u>General</u>	<u>Fire and Emergency</u>	<u>Parks and Recreation</u>	<u>Building Department</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Assets</b>							
Cash and cash equivalents	\$ 834,474	\$ 246,798	\$ 160,449	\$ 157,401	\$ 500,321	\$ 108,118	\$ 2,007,561
Accounts receivable	37,806	-	-	-	33,749	-	71,555
Due from other governments	83,425	-	-	-	8,817	-	92,242
Due from other funds	1,110	-	-	-	-	-	1,110
Prepays	24,471	-	2,610	1,765	1,071	-	29,917
<b>Total assets</b>	<b><u>\$981,286</u></b>	<b><u>\$ 246,798</u></b>	<b><u>\$ 163,059</u></b>	<b><u>\$ 159,166</u></b>	<b><u>\$ 543,958</u></b>	<b><u>\$108,118</u></b>	<b><u>\$2,202,385</u></b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 12,395	\$ -	\$ 1,206	\$ 945	\$ 14,776	\$ -	\$ 29,322
Due to other funds	-	-	-	1,110	-	-	1,110
<b>Total liabilities</b>	<b><u>12,395</u></b>	<b><u>-</u></b>	<b><u>1,206</u></b>	<b><u>2,055</u></b>	<b><u>14,776</u></b>	<b><u>-</u></b>	<b><u>30,432</u></b>
<b>Fund balances</b>							
Reserved for prepaids	24,471	-	2,610	1,765	1,071	-	29,917
Unreserved:							
Unreserved, undesignated	944,420	246,798	159,243	155,346	528,111	108,118	2,142,036
<b>Total fund balances</b>	<b><u>968,891</u></b>	<b><u>246,798</u></b>	<b><u>161,853</u></b>	<b><u>157,111</u></b>	<b><u>529,182</u></b>	<b><u>108,118</u></b>	<b><u>2,171,953</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$981,286</u></b>	<b><u>\$ 246,798</u></b>	<b><u>\$ 163,059</u></b>	<b><u>\$ 159,166</u></b>	<b><u>\$ 543,958</u></b>	<b><u>\$108,118</u></b>	<b><u>\$2,202,385</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets**  
**of Governmental Activities on the Statement of Net Assets**  
**June 30, 2007**

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Fund balances - total governmental funds	\$ 2,171,953
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets not being depreciated	397,336
Add: capital assets being depreciated, net	1,851,726
Less: accumulated depreciation	<u>(1,393,482)</u>

<b>Net assets of governmental activities</b>	<b><u><u>\$ 3,027,533</u></u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Revenue, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2007**

	<u>General</u>	<u>Fire and Emergency</u>	<u>Parks and Recreation</u>	<u>Building Department</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>Revenue</b>							
Taxes	\$ 443,745	\$ 327,746	\$ 155,129	\$ -	\$ 310,348	\$ -	\$ 1,236,968
Licenses and permits	266,091	-	-	-	-	-	266,091
Intergovernmental	33,838	-	-	-	26,754	-	60,592
Charges for services	29,543	-	66,878	88,939	10,510	-	195,870
Interest	47,131	744	5,862	5,505	21,513	4,976	85,731
Fines	-	-	-	-	36,217	-	36,217
Other	12,530	-	56	-	9,888	-	22,474
Total revenue	<u>832,878</u>	<u>328,490</u>	<u>227,925</u>	<u>94,444</u>	<u>415,230</u>	<u>4,976</u>	<u>1,903,943</u>
<b>Expenditures</b>							
General government	526,603	-	-	-	-	-	526,603
Public safety	20,000	395,725	-	-	-	-	415,725
Public works	59,089	-	-	-	-	-	59,089
Community development	3,342	-	-	128,446	-	-	131,788
Recreation and cultural	-	-	215,475	-	351,861	-	567,336
Total expenditures	<u>609,034</u>	<u>395,725</u>	<u>215,475</u>	<u>128,446</u>	<u>351,861</u>	<u>-</u>	<u>1,700,541</u>
Revenue over (under) expenditures	<u>223,844</u>	<u>(67,235)</u>	<u>12,450</u>	<u>(34,002)</u>	<u>63,369</u>	<u>4,976</u>	<u>203,402</u>
<b>Other financing sources (uses)</b>							
Transfers in	50,000	125,000	-	-	-	15,000	190,000
Transfers out	<u>(140,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(190,000)</u>
Total other financing sources (uses)	<u>(90,000)</u>	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Net change in fund balances	133,844	7,765	12,450	(34,002)	63,369	19,976	203,402
Fund balances, beginning of year	<u>835,047</u>	<u>239,033</u>	<u>149,403</u>	<u>191,113</u>	<u>465,813</u>	<u>88,142</u>	<u>1,968,551</u>
<b>Fund balances, end of year</b>	<u><b>\$ 968,891</b></u>	<u><b>\$ 246,798</b></u>	<u><b>\$ 161,853</b></u>	<u><b>\$ 157,111</b></u>	<u><b>\$ 529,182</b></u>	<u><b>\$ 108,118</b></u>	<u><b>\$ 2,171,953</b></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Reconciliation of the Statement of Revenue, Expenditures**  
**and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2007**

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Net change in fund balances - total governmental funds	\$ 203,402
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Amounts reported for *governmental activities* in the statement of activities are different different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	80,223
Less: depreciation expense	<u>(76,747)</u>

Change in net assets of governmental activities	<u><u>\$ 206,878</u></u>
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The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
<b>Revenue</b>				
Taxes	\$ 428,315	\$ 455,653	\$ 443,745	\$ (11,908)
Licenses and permits	28,700	288,579	266,091	(22,488)
Intergovernmental	288,579	28,700	33,838	5,138
Charges for services	24,701	24,701	29,543	4,842
Interest	-	-	47,131	47,131
Other	1,000	7,847	12,530	4,683
Total revenue	771,295	805,480	832,878	27,398
<b>Expenditures</b>				
General government:				
Board of Trustees	9,775	9,775	7,848	(1,927)
Supervisor	28,680	29,080	27,399	(1,681)
Elections	27,000	35,379	18,115	(17,264)
Assessor	78,000	108,000	107,430	(570)
Clerk	79,205	80,205	77,423	(2,782)
Board of review	1,920	2,420	473	(1,947)
Treasurer	79,205	79,805	52,849	(26,956)
Town Hall	13,800	40,116	16,887	(23,229)
General services	217,825	192,225	185,502	(6,723)
Planning commission	58,133	43,133	29,893	(13,240)
Board of appeals	3,700	3,700	2,784	(916)
Total general government	597,243	623,838	526,603	(97,235)
Public Works	70,500	70,500	59,089	(11,411)
Community development	10,252	10,252	3,342	(6,910)
Public Safety - Fire	75,000	95,000	20,000	(75,000)
Capital outlay	17,000	24,590	-	(24,590)
Total expenditures	769,995	824,180	609,034	(215,146)
Revenue over (under) expenditures	1,300	(18,700)	223,844	242,544
<b>Other financing sources (uses)</b>				
Transfers in	-	50,000	50,000	-
Transfers out	(15,000)	(65,000)	(140,000)	(75,000)
Total other financing (uses)	(15,000)	(15,000)	(90,000)	(75,000)
Net change in fund balances	(13,700)	(33,700)	133,844	167,544
Fund balance, beginning of year	835,047	835,047	835,047	-
<b>Fund balance, end of year</b>	<b>\$ 821,347</b>	<b>\$ 801,347</b>	<b>\$ 968,891</b>	<b>\$ 167,544</b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Revenue, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Fire and Emergency Fund**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual over (under) Final Budget</u>
<b>Revenue</b>				
Property taxes	\$320,125	\$320,125	\$327,746	\$ 7,621
Interest	600	600	744	144
Total revenue	<u>320,725</u>	<u>320,725</u>	<u>328,490</u>	<u>7,765</u>
<b>Expenditures</b>				
Expenditures				
Public safety:				
Contracted services	<u>395,725</u>	<u>395,725</u>	<u>395,725</u>	<u>-</u>
Total expenditures	<u>395,725</u>	<u>395,725</u>	<u>395,725</u>	<u>-</u>
Revenue over (under) expenditures	<u>(75,000)</u>	<u>(75,000)</u>	<u>(67,235)</u>	<u>7,765</u>
<b>Other financing sources (uses)</b>				
Transfers in	75,000	125,000	125,000	-
Transfers out	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Net changes in fund balances	-	-	7,765	7,765
Fund balances, beginning of year	<u>239,033</u>	<u>239,033</u>	<u>239,033</u>	<u>-</u>
<b>Fund balances end of year</b>	<u><b>\$239,033</b></u>	<u><b>\$239,033</b></u>	<u><b>\$246,798</b></u>	<u><b>\$ 7,765</b></u>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Budget and Actual**  
**Parks and Recreation Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
Revenues				
Taxes	\$ 154,125	\$ 154,125	\$ 155,129	\$ 1,004
User fees	73,500	73,500	65,882	(7,618)
Rental income	800	800	996	196
Interest	2,000	2,000	5,862	3,862
Miscellaneous	10,100	10,100	56	(10,044)
Total revenues	<u>240,525</u>	<u>240,525</u>	<u>227,925</u>	<u>(12,600)</u>
Expenditures				
Recreation and cultural				
Salaries	124,125	124,125	118,622	(5,503)
Payroll taxes	10,000	10,000	9,075	(925)
Pension	4,550	4,550	5,195	645
Health insurance	27,100	27,100	28,505	1,405
Operating supplies	9,000	9,000	7,372	(1,628)
Softball expenditures	7,000	7,000	6,296	(704)
Special events	7,000	7,000	8,014	1,014
Professional services	2,150	2,150	1,538	(612)
Disposal	2,300	2,300	1,928	(372)
Telephone	4,000	4,000	2,990	(1,010)
Mileage	700	700	591	(109)
Education	3,500	3,500	1,678	(1,822)
Community promotion	3,000	3,000	2,850	(150)
Insurance	8,500	8,500	6,138	(2,362)
Utilities	7,500	7,500	7,243	(257)
Repairs and maintenance	8,000	8,000	3,943	(4,057)
Miscellaneous	600	600	-	(600)
Park equipment	11,500	11,500	3,497	(8,003)
Total expenditures	<u>240,525</u>	<u>240,525</u>	<u>215,475</u>	<u>(25,050)</u>
Net change in fund balances	-	-	12,450	12,450
Fund balance, beginning of year	<u>149,403</u>	<u>149,403</u>	<u>149,403</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 149,403</u></b>	<b><u>\$ 149,403</u></b>	<b><u>\$ 161,853</u></b>	<b><u>\$ 12,450</u></b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Budget and Actual**  
**Building Department Fund**  
**For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual over (under) Final Budget</u>
Revenues				
Charges for services	\$ 206,500	\$ 85,000	\$ 88,939	\$ 3,939
Interest	-	-	5,505	5,505
Total revenues	<u>206,500</u>	<u>85,000</u>	<u>94,444</u>	<u>9,444</u>
Expenditures				
Community development				
Salaries	33,120	33,120	33,120	-
Payroll taxes	3,000	2,600	2,534	(66)
Pension	3,200	3,312	3,313	1
Health insurance	15,910	22,300	20,456	(1,844)
Operating supplies	15,000	13,000	12,835	(165)
Contracted services	135,800	53,250	53,986	736
Repairs and maintenance	2,000	2,000	1,677	(323)
Insurance	200	300	109	(191)
Dues and subscription	2,000	100	100	-
Mileage and insurance	500	100	63	(37)
Miscellaneous	-	650	253	(397)
Total expenditures	<u>210,730</u>	<u>130,732</u>	<u>128,446</u>	<u>(2,286)</u>
Net change in fund balances	(4,230)	(45,732)	(34,002)	11,730
Fund balance, beginning of year	<u>191,113</u>	<u>191,113</u>	<u>191,113</u>	<u>-</u>
<b>Fund balance, end of year</b>	<b><u>\$ 186,883</u></b>	<b><u>\$ 145,381</u></b>	<b><u>\$ 157,111</u></b>	<b><u>\$ 11,730</u></b>

The accompanying notes are an integral part of these financial statements.



**TOWNSHIP OF HOLLY**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance**  
**Budget and Actual**  
**Library Fund**  
**For the Year Ended June 30, 2007**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Actual over (under) Final Budget</b>
Revenues				
Taxes	\$ 331,235	\$ 331,235	\$ 310,348	\$ (20,887)
State shared revenue	10,000	10,000	13,644	3,644
Member township fees	13,110	13,110	13,110	-
Charges for services	7,500	7,500	10,510	3,010
Fines	34,500	34,500	36,217	1,717
Donations	4,500	4,500	9,888	5,388
Interest	-	-	21,513	21,513
Total revenues	400,845	400,845	415,230	14,385
Expenditures				
Recreation and cultural				
Salaries	210,000	210,000	195,453	(14,547)
Payroll taxes	16,000	16,000	14,952	(1,048)
Health insurance	16,000	16,000	12,615	(3,385)
Operating supplies	8,500	8,500	10,064	1,564
Professional services	14,500	14,500	12,612	(1,888)
Dues and subscription	11,300	11,300	745	(10,555)
Utilities	12,500	12,500	12,834	334
Mileage	945	945	77	(868)
Community promotion	100	100	-	(100)
Printing and publishing	500	500	152	(348)
Insurance	7,000	7,000	6,359	(641)
Repairs and maintenance	12,000	12,000	3,591	(8,409)
Miscellaneous	3,000	3,000	1,103	(1,897)
Books, videos	58,000	58,000	48,192	(9,808)
Capital outlay	35,500	35,500	33,112	(2,388)
Total expenditures	405,845	405,845	351,861	(53,984)
Net change in fund balances	(5,000)	(5,000)	63,369	68,369
Fund balance, beginning of year	465,813	465,813	465,813	-
<b>Fund balance, end of year</b>	<b>\$ 460,813</b>	<b>\$ 460,813</b>	<b>\$ 529,182</b>	<b>\$ 68,369</b>

The accompanying notes are an integral part of these financial statements.

**TOWNSHIP OF HOLLY**  
**Statement of Fiduciary Net Assets**  
**Agency Funds**  
**June 30, 2007**

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**Assets**

Cash and cash equivalents	\$ 111,977
Accounts receivable	<u>4</u>

<b>Total assets</b>	<b><u><u>\$ 111,981</u></u></b>
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**Liabilities**

Accounts payable	\$ 18,213
Undistributed receipts	<u>93,768</u>

<b>Total liabilities</b>	<b><u><u>\$ 111,981</u></u></b>
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The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Holly, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

#### A. REPORTING ENTITY

The Township of Holly (the “Township”) operates under a Township Board with five members and provides general government services to its residents.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Township and any component units, entities for which it has operational or financial relationships. The Township has followed the guidelines of the Governmental Accounting Standards Board’s Statement No. 14 and has determined that no entities should be consolidated into its financial statements as component units. Therefore, the reporting entity consists of the primary government financial statements only.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (e.g., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the principal operating fund of the Township. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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The *Fire and Emergency Fund* accounts for the activities of the government's fire and emergency services.

The *Parks and Recreation Fund* accounts for the activities of the government's various parks.

The *Building Department Fund* is used to account for the activities of the government's building/inspections department.

The *Library Fund* is used to account for the activities of the government's library.

The *Capital Projects Fund* is used to account for financing and construction of major equipment, building and improvements.

Additionally, the Township reports the following fund type:

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. DEPOSITS AND INVESTMENTS**

Cash equivalents are all highly liquid investments such as bank savings accounts and certificates of deposits with an original maturity of three months or less. Other investments, if any, with an original maturity of three months or less are also considered cash equivalents.

Investments, if any, are stated at fair value.

# **TOWNSHIP OF HOLLY**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### **2. RECEIVABLES**

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided because collection is not considered doubtful and any uncollectible amounts would be immaterial.

### **3. PREPAID ITEMS**

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

### **4. INTERFUND TRANSACTIONS**

Interfund receivables and payables, if any, arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### **5. CAPITAL ASSETS**

Capital assets, which include property, plant, and equipment are reported in the governmental type activity column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements and buildings	20 - 50
Machinery and equipment	7 - 10
Office furniture and equipment	5 - 10
Library books and videos	3

### 6. FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Designated fund balances, if applicable, represent tentative plans for future use of financial resources. Reserved fund balance for governmental funds, if any, represents that portion of fund equity, which has been legally segregated for specific purposes and/or does not constitute current available spending resources.

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets for the general and special revenue funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis, which is consistent with generally accepted accounting principles.

Budget amounts are as originally adopted or as amended by the Township Board in accordance with state and local laws. The Township's legal level of budgetary control is at the function level. Any revisions must be approved by the Township Board.

### B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS

During the year ended June 30, 2007, the Township did not incur expenditures in excess of the amounts appropriated. However, transfers out in the General Fund exceeded budget by \$75,000.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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### III.DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the Township's deposits and investments is as follows:

Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$2,007,561
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>111,977</u>
<b>Total</b>	<b><u>\$2,119,538</u></b>
Notes to Financial Statements:	
Deposits	\$2,118,638
Cash on hand	<u>900</u>
<b>Total</b>	<b><u>\$2,119,538</u></b>

#### *Investment and deposit risk*

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Township's investment policy does not have specific limits in excess of state law on investment credit risk. The Township has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year-end, \$2,071,977 of the Township's bank balance of \$2,271,977 was exposed to credit risk because it was uninsured and uncollateralized.



# **TOWNSHIP OF HOLLY**

## **NOTES TO THE FINANCIAL STATEMENTS**

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### ***Statutory Authority***

State statutes authorize the Township to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Township's investment policy allows for all of these types of investments.

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

### B. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 397,336	\$ -	\$ -	\$ 397,336
<b>Capital assets being depreciated:</b>				
Buildings and improvements	1,139,410	-	-	1,139,410
Machinery and equipment	289,742	-	-	289,742
Office furniture and equipment	258,143	32,032	-	290,175
Library books and videos	<u>84,208</u>	<u>48,191</u>	-	<u>132,399</u>
Total capital assets being depreciated	<u>1,771,503</u>	<u>80,223</u>	-	<u>1,851,726</u>
Less accumulated depreciation				
Buildings and improvements	(825,927)	(10,888)	-	(836,815)
Machinery and equipment	(237,432)	(8,875)	-	(246,307)
Office furniture and equipment	(212,132)	(12,851)	-	(224,983)
Library books and videos	<u>(41,244)</u>	<u>(44,133)</u>	-	<u>(85,377)</u>
Total accumulated depreciation	<u>(1,316,735)</u>	<u>(76,747)</u>	-	<u>(1,393,482)</u>
<b>Capital assets being depreciated, net</b>	<u><b>454,768</b></u>	<u><b>3,476</b></u>	-	<u><b>458,244</b></u>
<b>Governmental activities capital assets, net</b>	<u><b>\$ 852,104</b></u>	<u><b>\$ 3,476</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 855,580</b></u>

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 8,875
Public works	8,035
Recreation and cultural	<u>59,837</u>
<b>Total depreciation expense – governmental activities</b>	<u><b>\$ 76,747</b></u>

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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### C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

<u>Transfer to</u>	<u>Transfer from</u>		
	<u>General</u>	<u>Fire and emergency</u>	<u>Total</u>
General	\$ -	\$ 50,000	\$ 50,000
Fire and emergency	125,000	-	125,000
Capital projects	15,000	-	15,000
<b>Total</b>	<b><u>\$ 140,000</u></b>	<b><u>\$ 50,000</u></b>	<b><u>\$ 190,000</u></b>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

At the end of the year, the general fund had an amount due from the building department fund in the amount of \$1,110. The outstanding balances between funds result mainly from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

### IV. OTHER INFORMATION

#### A. PROPERTY TAXES

Township property taxes are attached as an enforceable lien on property as of December 1 on the taxable assessed value listed as of the prior December 31. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the Township's own property taxes and taxes billed on behalf of Oakland County and the school districts within the Township boundaries. Real property taxes not collected as of March 1 are turned over to Oakland County for collection, which advances the Township 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Township Treasurer.

The assessed taxable value of real and personal property located in the Township as of December 31, 2006 totaled \$342,822,610 representing 50% of estimated actual value. The tax rates assessed for the year ended June 30, 2007 were:

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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### Per \$1,000 valuation

General operations	\$1.00
Fire and Emergency	\$1.65 (real property only)
Parks	\$0.4786
Library	\$0.9574

Property taxes levied in December are recognized as revenue in the current fiscal year. Taxes collected on behalf of the school districts and Oakland County are turned over to the districts and the County immediately following collection and are accounted for in a designated agency fund.

### **B. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and distribution of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

### **C. PENSION PLAN**

The Holly Township Group Pension Plan is a defined contribution pension plan, held in trust by a third party administrator, John Hancock Life Insurance Company (in accordance with the provisions of the John Hancock Financial Defined Contribution Pension Plan for Governmental Employees).

Those eligible for the Plan include all elected officials, Parks Director, Building Administrator and all appointed officials working 35 hours or more per week. The Township contributes 10% of a participant's compensation. The participants may make voluntary, after-tax contributions from 1% to 10% of their compensation. Total contributions by the Township for the year ended June 30, 2007 were \$21,192.

Benefits attributable to all contributions vest immediately. Investment of plan assets is the responsibility of the participant (e.g., self-directed investment of individual accounts by participants).

# TOWNSHIP OF HOLLY

## NOTES TO THE FINANCIAL STATEMENTS

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### D. CONTINGENCIES

The Township is a defendant in various lawsuits. For cases in which it is probable or reasonably possible that a loss will be incurred and in which the amount of the potential judgment can be reasonably estimated a liability is recorded. No such liability is recorded as of June 30, 2007.

The Township entered into a contract for \$15,850 for a new heating system within the Township Office Building. As of June 30, 2007, no expense had been incurred related to this contract.

### E. PRIOR PERIOD ADJUSTMENT

The Township had a prior period adjustment relating to the Library Fund adjusting Net Assets as shown:

	<b>Government-wide Net Assets</b>
Net assets, as previously stated	\$2,777,690
Additions for library books and videos	<u>42,965</u>
<b>Beginning net assets, as restated</b>	<b><u>\$2,820,655</u></b>

\* \* \* \* \*

**TOWNSHIP OF HOLLY**  
**Combining Statement of Fiduciary Assets and Liabilities**  
**Agency Funds**  
**June 30, 2007**

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	<u>Trust and Agency</u>	<u>Tax Collection</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 100,670	\$ 11,307	\$ 111,977
Accounts receivable	<u>4</u>	<u>-</u>	<u>4</u>
<b>Total assets</b>	<u><b>\$ 100,674</b></u>	<u><b>\$ 11,307</b></u>	<u><b>\$ 111,981</b></u>
<b>Liabilities</b>			
Accounts payable	\$ 6,906	\$ 11,307	\$ 18,213
Undistributed receipts	<u>93,768</u>	<u>-</u>	<u>93,768</u>
<b>Total liabilities</b>	<u><b>\$ 100,674</b></u>	<u><b>\$ 11,307</b></u>	<u><b>\$ 111,981</b></u>

The accompanying notes are an integral part of these financial statements.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**February 13, 2008**

To the Township Board  
Holly Township  
Holly , Michigan

We have audited the financial statements of **Township of Holly** for the year ended **June 30, 2007**, and have issued our report thereon dated February 13, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

As stated in our engagement letter dated October 22, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of **Township of Holly**. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the **Township of Holly** are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the **Township of Holly** during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on **Township of Holly's** financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, adjustments to fund balance and capital assets both individually and in the aggregate, indicated matters that had a significant effect on **Township of Holly's** financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Township of Holly's** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter **and the accompanying memorandum** are intended for the use of the Township of Holly Board of Commissioners, and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is positioned above the closing text.

Very truly yours,



**Township of Holly**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2007**

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In planning and performing our audit of the financial statements of **Township of Holly** as of and for the year ended **June 30, 2007**, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider certain deficiencies, as described in findings **2007-1** and **2007-2** as described in the accompanying memo, to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the deficiency, as described in finding **2007-3** in the accompanying memo, to be a material weakness.

**Significant Deficiencies**

**Finding 2007-1 – Preparation of Financial Statements in Accordance with GAAP**

**Criteria:** All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

**Condition:** As is the case with many smaller and medium-sized entities, the Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare

# Township of Holly

## Comments and Recommendations

For the Year Ended June 30, 2007

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	financial statements is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the Townships <i>internal</i> controls.
<b>Cause:</b>	This condition was caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally..
<b>Effect:</b>	As a result of this condition, the Township lacks internal controls over the preparation of financial statement in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.
<b>View of Responsible Officials:</b>	The Township has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Township to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

### Finding 2007-2 – Segregation of Incompatible Duties

<b>Criteria:</b>	Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.
<b>Condition:</b>	As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. These include an individual authorized to setup vendors and process accounts payable, setup new employees and process payroll information, and initiate manual journal entries and post them. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.
<b>Cause:</b>	This condition is a result of the Township's limited resources, and the small size of its accounting staff.
<b>Effect:</b>	As a result of this condition, the Township is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely basis.
<b>View of Responsible</b>	The Township understands the increased risk due to the inherent lack of segregation of duties and has concluded that the cost of implementing the segregation of duties does not warrant the benefit of the lower risk obtained.

**Township of Holly**  
**Comments and Recommendations**  
**For the Year Ended June 30, 2007**

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**Officials:** However, management will maintain a heightened awareness and continually review the mitigating controls over these areas.

**Material Weaknesses**

**Finding 2007-3 – Audit Adjustments**

**Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition:** During our audit, we identified and proposed adjustments (which were approved and posted by management) to adjust the Township's general ledger to the appropriate balances. These adjustments were in the areas of fund balance and capital assets.

**Cause:** The Township has historically relied on its independent external auditors to assist with the process of making necessary year end adjustments to present its financial statements in accordance with GAAP.

**Effect:** As a result of this condition, the Township's accounting records were initially misstated by amounts material to the financial statements.

**View of Responsible Officials:** The Township will review the accounting adjustments that were necessary in order for the financial statements to be in accordance with GAAP and plan accordingly to reduce these for subsequent year audits.

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